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MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

MARCH 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/21/09

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
MARCH 31, 2009

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
COMPLIANCE REPORTS:	
Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	3-5
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	6-8
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	9
Statement of Activities.....	10-11
Statement of Functional Expenses.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements.....	14-19
SUPPLEMENTARY FINANCIAL INFORMATION:	
Schedule I - Combining Balance Sheet - All Programs.....	20
Schedule II - Statement of Revenues, Expenditures, and Changes in Net Assets - Grantor Basis.....	21
Schedule III - Schedule of Expenditures of Federal Awards.....	22-23
Schedule IV - Compensation to Board Members.....	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	25-32
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS.....	33

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September 25, 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

We have audited the accompanying statement of financial position of Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 2009, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Community Improvement Organization, Inc. as of March 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Morehouse Community Improvement Organization, Inc. taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents and the accompanying Schedule of Expenditures of Federal Awards for the year ended March 31, 2009, are presented for purposes of additional analysis as required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnston, Perry, Johnson & Associates, L.L.P.

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September 25, 2009

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

We have audited the financial statements of Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 2009, and have issued our report thereon dated September 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These findings are identified in the schedule of findings and questioned costs as items 09-1, 09-2 and 09-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morehouse Community Improvement Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Morehouse Community Improvement Organization, Inc.'s response to the findings identified in our audit are described in the accompanying

schedule of findings and responses. We did not audit Morehouse Community Improvement Organization, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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September 25, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

Compliance

We have audited the compliance of Morehouse Community Improvement Organization, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2009. Morehouse Community Improvement Organization, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Morehouse Community Improvement Organization, Inc.'s management. Our responsibility is to express an opinion on Morehouse Community Improvement Organization, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community

Improvement Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Morehouse Community Improvement Organization, Inc.'s compliance with those requirements.

In our opinion, Morehouse Community Improvement Organization, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009.

Internal Control Over Compliance

The management of Morehouse Community Improvement Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Morehouse Community Improvement Organization, Inc.'s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider

the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Morehouse Community Improvement Organization, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Morehouse Community Improvement Organization, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnston, Perry, Johnson & Associates, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2009

ASSETS

CURRENT ASSETS

Cash in Bank	3,891
Accounts Receivable - Grants	<u>32,045</u>

<u>TOTAL CURRENT ASSETS</u>	<u>35,936</u>
-----------------------------	---------------

FIXED ASSETS

Furniture and Equipment (Net of Accumulated Depreciation)	<u>349,849</u>
---	----------------

<u>TOTAL FIXED ASSETS</u>	<u>349,849</u>
---------------------------	----------------

<u>TOTAL ASSETS</u>	<u>385,785</u>
---------------------	----------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	<u>46,623</u>
---------------------------------------	---------------

<u>TOTAL LIABILITIES</u>	<u>46,623</u>
--------------------------	---------------

NET ASSETS

Unrestricted Net Assets	
Operations	(10,687)
Fixed Assets	349,849
Temporarily Restricted	<u>-</u>

<u>TOTAL NET ASSETS</u>	<u>339,162</u>
-------------------------	----------------

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>385,785</u>
---	----------------

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES
MARCH 31, 2009

CHANGES IN UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Support	
Grants	2,400,075
Interest Income - Grants	<u>706</u>

<u>TOTAL SUPPORT</u>	<u>2,400,781</u>
----------------------	------------------

Revenue	
Meal Income	14,266
In-Kind Receipts	541,891
Other Income	<u>-</u>

<u>TOTAL REVENUE</u>	<u>556,157</u>
----------------------	----------------

<u>TOTAL SUPPORT AND REVENUE</u>	<u>2,956,938</u>
----------------------------------	------------------

EXPENSES

Program Services	
Head Start	2,529,087
Child Care Food Program	<u>264,012</u>

<u>TOTAL PROGRAM SERVICES</u>	<u>2,793,099</u>
-------------------------------	------------------

Support Services	
General and Administrative	<u>253,116</u>

<u>TOTAL SUPPORT SERVICES</u>	<u>253,116</u>
-------------------------------	----------------

<u>TOTAL EXPENSES</u>	<u>3,046,215</u>
-----------------------	------------------

<u>(INCREASE) DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>(89,277)</u>
---	------------------

<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>-0-</u>
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SUPPORT AND REVENUE

Grants	<u>-</u>
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<u>TOTAL SUPPORT AND REVENUE</u>	<u>-0-</u>
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The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES (CONTINUED)
MARCH 31, 2009

<u>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>-0-</u>
<u>INCREASE (DECREASE) IN TOTAL NET ASSETS</u>	<u>(89,277)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	
Unrestricted	428,439
Temporarily Restricted	<u>-</u>
<u>TOTAL NET ASSETS - BEGINNING OF YEAR</u>	<u>428,439</u>
<u>NET ASSETS - END OF YEAR</u>	
Unrestricted	339,162
Temporarily Restricted	<u>-</u>
<u>TOTAL NET ASSETS -END OF YEAR</u>	<u>339,162</u>

The accompanying notes are an integral part of these financial statements.

- 11 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
MARCH 31, 2009

	<u>HEAD START</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL EXPENSES</u>
Salaries	1,214,370	90,795	1,305,165	138,682	1,443,847
Fringes	<u>399,905</u>	<u>-</u>	<u>399,905</u>	<u>30,168</u>	<u>430,073</u>
<u>TOTAL PERSONNEL</u>	<u>1,614,275</u>	<u>90,795</u>	<u>1,705,070</u>	<u>168,850</u>	<u>1,873,920</u>
Travel	69	4,717	4,786	1,603	6,389
Supplies	15,107	7,800	22,907	17,298	40,205
Food	-	127,420	127,420	-	127,420
Contractual	30,994	1,400	32,394	19,200	51,594
Other Costs	260,490	29,295	289,785	39,926	329,711
In-Kind - Personal	171,491	-	171,491	-	171,491
In-Kind - Space	206,808	-	206,808	-	206,808
In-Kind - Other	<u>163,592</u>	<u>-</u>	<u>163,592</u>	<u>-</u>	<u>163,592</u>
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>2,462,826</u>	<u>261,427</u>	<u>2,724,253</u>	<u>246,877</u>	<u>2,971,130</u>
<u>DEPRECIATION</u>	<u>66,261</u>	<u>2,585</u>	<u>68,846</u>	<u>6,239</u>	<u>75,085</u>
<u>TOTAL EXPENSES</u>	<u>2,529,087</u>	<u>264,012</u>	<u>2,793,099</u>	<u>253,116</u>	<u>3,046,215</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
MARCH 31, 2009

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in Net Assets	(89,277)
Adjustments to Reconcile Changes in Net Assets To Net Cash Used for Operating Activities:	
Depreciation	75,085
(Increase) Decrease in Accounts Receivable - Grants	(12,973)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(15,373)
Net Cash Provided (Used) for Operating Activities	(42,538)

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of Fixed Assets	(1,649)
Net Cash Provided (Used) for Investing Activities	(1,649)

NET INCREASE IN CASH AND CASH EQUIVALENTS (44,187)

CASH AND CASH EQUIVALENTS - MARCH 31, 2008 48,078

CASH AND CASH EQUIVALENTS - MARCH 31, 2009 3,891

SUPPLEMENTAL DATA

Interest Paid	-0-
Income Taxes Paid	-0-

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Presentation:

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

B. Organization:

Morehouse Community Improvement Organization, Inc. was organized to promote and develop economic opportunities for the people of Morehouse and West Carroll parishes. The Agency is operated exclusively for charitable, educational, and scientific purposes. The main operation is a Head Start program. The Agency is not a component unit of any other governmental organization.

C. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Fixed Assets:

Fixed assets acquired by the Agency are considered to be owned by the Agency. However, State and Federal funding sources maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State and Federal governments have a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fixed Assets: (Continued)

The Agency follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

The following yearly lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5
Furniture, Fixtures and Equipment	7
Improvements	10
Buildings	39

Net values are computed as follows:

Computer Equipment and Vehicles	479,609
Furniture, Fixtures and Equipment	561,585
Improvements	314,891
Buildings	<u>128,167</u>
Total	1,484,252
Less: Accumulated Depreciation	<u>1,134,403</u>
<u>NET VALUE</u>	<u>349,849</u>

F. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fund raising costs are not material.

H. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation. Government securities with a PAR value of \$100,000 have been pledged to secure amounts over \$100,000. The Agency had \$-0- in the bank that was not insured by an agency of the federal government or a pledge of securities.

I. Related Party Transactions:

There were no related party transactions for the year ended March 31, 2009.

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS

The Agency receives its monies through various methods of funding. Most of the funds are received on a grant basis from federal, state and local sources. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Agency also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Agency also receives funds by contributions from both public and private sources.

Grants and contracts received for the period April 1, 2008 to March 31, 2009 are as follows:

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2009

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS (Continued)

<u>Funding Source</u>	<u>Revenue Recognized</u>
Federal	
Department of Health and Human Services (Excludes Interest Earned on Grant Funds)	2,167,329
Louisiana	
Department of Education	232,746

The loss of either of these funding sources could have a negative effect on the Agency.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable at March 31, 2009, consists of reimbursements for expenses incurred under the various grant programs. The following list presents grants receivable by fund at March 31, 2009:

Department of Education	30,474
Department of Health and Human Services	<u>1,571</u>
<u>TOTAL</u>	<u>32,045</u>

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 - IN-KIND CONTRIBUTIONS

The Agency received various in-kind contributions during the year from private and public sources. These contributions have been reported as revenues, and the offsetting expenses have been reported in the financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2009

NOTE 6 - INCOME TAX STATUS

The Agency, a non-profit corporation, is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - ACCRUED LEAVE

Management has determined that the liability for accrued leave, if any, is not material.

NOTE 8 - NONCOMPLIANCE FINDINGS AND QUESTIONED COSTS

The Agency receives funding/grants from various government agencies and such funding is subject to certain requirements and conditions. The items listed in the schedule of findings and questioned costs will be reviewed by the appropriate funding agency and a final resolution of the questioned costs will be made by such agency.

NOTE 9 - FINANCIAL STATEMENT PRESENTATION

The Agency has previously adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Agency to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. Before adoption of FASB No. 116 and No. 117, the Agency presented financial information on the basis of funds and account groups as in accordance with governmental accounting principles generally accepted in the United States of America.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2009

NOTE 10 - LEASES

The Agency had an annual lease with the St. John's Community Enrichment Center (CEC), effective August 1, 2000 that calls for payments in the amount of \$2,800 per month for use of facilities, and is renewable for up to fifteen years.

NOTE 11 - LAWSUIT

During the year ended March 31, 2004, New England Life Insurance Co. filed a suit against the Agency for \$34,915 regarding group health insurance. The Agency filed an answer and then an amended answer and a third party demand generally denying the claim and seeking judgment against a former insurance agent of Morehouse Community Improvement Organization, Inc. for the sum of \$116,107 for surplus from claims payments.

At the current stage of the proceedings it is not possible to ascertain the percentage of likelihood of success of the original plaintiff, New England Life Insurance Co., or the claims in defense and third party demand by Morehouse Community Improvement Organization, Inc.

SUPPLEMENTARY FINANCIAL INFORMATION

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
COMBINING BALANCE SHEET - ALL PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2009

	GENERAL	HEAD START (HEW)	CHILD CARE FOOD PROGRAM	FIXED ASSETS AND PROPERTY	INTERFUND ELIMINATION	TOTAL MEMORANDUM ONLY
<u>CURRENT ASSETS</u>						
Cash	-	2,352	1,539	-	-	3,891
Accounts Receivable -						
Grants	-	1,571	30,474	-	-	32,045
Due from Other Funds	-	27,248	1,426	-	(28,674)	-0-
<u>TOTAL CURRENT ASSETS</u>	<u>-0-</u>	<u>31,171</u>	<u>33,439</u>	<u>-0-</u>	<u>(28,674)</u>	<u>35,936</u>
<u>FIXED ASSETS AND PROPERTY</u>						
Furniture and Equipment, at Cost	-	-	-	349,849	-	349,849
<u>TOTAL FIXED ASSETS AND PROPERTY</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>349,849</u>	<u>-0-</u>	<u>349,849</u>
<u>TOTAL ASSETS</u>	<u>-0-</u>	<u>31,171</u>	<u>33,439</u>	<u>349,849</u>	<u>(28,674)</u>	<u>385,785</u>
<u>CURRENT LIABILITIES</u>						
Accounts Payable And Accrued Expenses	-	29,284	17,339	-	-	46,623
Advance Funding	-	-	-	-	-	-0-
Due to Other Funds	-	1,426	27,248	-	(28,674)	-0-
<u>TOTAL LIABILITIES</u>	<u>-0-</u>	<u>30,710</u>	<u>44,587</u>	<u>-0-</u>	<u>(28,674)</u>	<u>46,623</u>
<u>NET ASSETS</u>						
Unrestricted Net Assets						
Operations	-	461	(11,148)	-	-	(10,687)
Fixed Assets and Property	-	-	-	349,849	-	349,849
Temporarily Restricted Net Assets	-	-	-	-	-	-0-
<u>TOTAL NET ASSETS</u>	<u>-0-</u>	<u>461</u>	<u>(11,148)</u>	<u>349,849</u>	<u>-0-</u>	<u>339,162</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>-0-</u>	<u>31,171</u>	<u>33,439</u>	<u>349,849</u>	<u>(28,674)</u>	<u>385,785</u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
GRANTOR BASIS

FOR THE YEAR ENDED MARCH 31, 2009

	<u>GENERAL</u>	<u>HEAD START (HEW)</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>FIXED ASSETS</u>	<u>TOTAL MEMORANDUM ONLY</u>
<u>SUPPORT AND REVENUE</u>					
Grants - HEW	-	2,167,329	-	-	2,167,329
Grants - USDA Food Services	-	-	232,746	-	232,746
Lunch Receipts	-	-	14,266	-	14,266
In-Kind Contributions	-	541,891	-	-	541,891
Interest	-	483	223	-	706
Other	-	-	-	-	-0-
Reclassification of Net Assets	-	-	-	-	-0-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>-0-</u>	<u>2,709,703</u>	<u>247,235</u>	<u>-0-</u>	<u>2,956,938</u>
<u>EXPENSES</u>					
Personnel	-	1,353,052	90,795	-	1,443,847
Fringe Benefits	-	430,073	-	-	430,073
Travel	-	1,672	4,717	-	6,389
Contractual	-	50,194	1,400	-	51,594
Supplies	-	32,405	7,800	-	40,205
Other Costs	-	300,416	29,295	-	329,711
Food	-	-	127,420	-	127,420
Capital Outlay	-	-	1,649	(1,649)	-0-
In-Kind Expenditures	-	541,891	-	-	541,891
Depreciation	-	-	-	75,085	75,085
<u>TOTAL EXPENSES</u>	<u>-0-</u>	<u>2,709,703</u>	<u>263,076</u>	<u>73,436</u>	<u>3,046,215</u>
<u>EXCESS REVENUE OVER EXPENDITURES</u>	<u>-0-</u>	<u>-0-</u>	<u>(15,841)</u>	<u>(73,436)</u>	<u>(89,277)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>-0-</u>	<u>461</u>	<u>4,693</u>	<u>423,285</u>	<u>428,439</u>
<u>RECLASSIFICATION OF NET ASSETS</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>ACQUISITION OF PROPERTY</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>NET ASSETS - END OF YEAR</u>	<u>-0-</u>	<u>461</u>	<u>(11,148)</u>	<u>349,849</u>	<u>339,162</u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MARCH 31, 2009

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements/ Expenditures</u>
Department of Agriculture State of Louisiana/ Department of Education Child Care Food Program FYE March 31, 2009	10.558	N/A	232,746
Department of Health and Human Services * Head Start	93.600	N/A	2,167,329

* Major Federal Program

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Morehouse Community Improvement Organization, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 SUBRECIPIENTS

Morehouse Community Improvement Organization, Inc. did not provide federal awards to subrecipients.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

COMPENSATION TO BOARD MEMBERS

FOR THE YEAR ENDED MARCH 31, 2009

No compensation was paid any board member during the year under audit.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified: ☐ yes ☒ no

* Significant deficiency(s) identified that are not
Considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified: ☐ yes ☒ no

* Significant deficiency(s) identified that are not
Considered to be material weaknesses? ☒ yes ☐ no

Type of auditors' report issued on compliance for major programs:
Unqualified

Any audit findings disclosed that are required to be
Reported in accordance with Section 510(a) of
Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Department of Health & Human Services - Head Start

Dollar threshold used to distinguish
Between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

09-1

Criteria: All employee timesheets should be approved by a supervisor before payroll checks are written.

Condition: Timesheets were not approved on 16 of 84 timesheets reviewed.

Questioned Cost: None

Context: Internal controls

Effect: This finding has no effect on the financial statements.

Cause: A new supervisor took over one location and neglected to approve the timesheets for this location.

Recommendation: We recommend management require all timesheets be approved by a supervisor before payroll checks are written.

Response: Management agrees with this finding and will require all timesheets be approved by a supervisor before payroll checks are written.

09-2

Criteria: Agencies should maintain adequate funding and manage grant monies in a prudent manner.

Condition: We noted that the Agency has a deficit in its Unrestricted Net Assets - Operations.

Questioned Cost: None

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

09-2 (Continued)

Context: The Agency maintains a food program through the Louisiana Department of Education. Some of the excess costs of the program are reimbursed by other funds. The funding has not been adequate to cover rising costs. The amount owed to other funds has increased, causing the Child Care Food Program to have an increased deficit in its unrestricted net assets. Such deficit is directly related to Head Start expenditures exceeding the budget and the Child Care Food Program not being able to absorb the costs.

Effect: The Agency has a Net Assets - Operations deficit and may not have funds to cover future operating expenses.

Cause: The Agency and the Board of Directors have not monitored the program closely.

Recommendation: We recommend that the Agency develop a plan to reduce this deficit over the next year and for the Board of Directors to more closely monitor spending.

Response: Management and the Board of Directors have met to discuss the problem and have developed a plan to reduce costs and reduce the deficit. The Board of Directors has implemented the following plans to reduce the deficit in operations by closely monitoring lunch attendance to ensure lunch reimbursement monies are at the maximum allowed. In addition, the budget committee of the Board of Directors will meet monthly to review expenditures and revenues.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

09-3

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Criteria: Proper internal controls under SAS 112 require management to prepare the Project's annual financial statements.

Effect: This finding has no effect on the financial statements.

Cause: It is not cost effective for the Project to cure this control deficiency.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

09-3 (Continued)

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Response: Management agrees with this finding.

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND
QUESTIONED COSTS

09-1

Criteria: All employee timesheets should be approved by a supervisor before payroll checks are written.

Condition: Timesheets were not approved on 16 of 84 timesheets reviewed.

Questioned Cost: None

Context: Internal controls

Effect: This finding has no effect on the financial statements.

Cause: A new supervisor took over one location and neglected to approve the timesheets for this location.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND
QUESTIONED COSTS (Continued)

09-1 (Continued)

Recommendation: We recommend management require all timesheets be approved by a supervisor before payroll checks are written.

Response: Management agrees with this finding and will require all timesheets be approved by a supervisor before payroll checks are written.

09-2

Criteria: Agencies should maintain adequate funding and manage grant monies in a prudent manner.

Condition: We noted that the Agency has a deficit in its Unrestricted Net Assets - Operations.

Questioned Cost: None

Context: The Agency maintains a food program through the Louisiana Department of Education. Some of the excess costs of the program are reimbursed by other funds. The funding has not been adequate to cover rising costs. The amount owed to other funds has increased, causing the Child Care Food Program to have an increased deficit in its unrestricted net assets. Such deficit is directly related to Head Start expenditures exceeding the budget and the Child Care Food Program not being able to absorb the costs.

Effect: The Agency has a Net Assets - Operations deficit and may not have funds to cover future operating expenses.

Cause: The Agency and the Board of Directors have not monitored the program closely.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND
QUESTIONED COSTS (Continued)

09-2 (Continued)

Recommendation: We recommend that the Agency develop a plan to reduce this deficit over the next year and for the Board of Directors to more closely monitor spending.

Response: Management and the Board of Directors have met to discuss the problem and have developed a plan to reduce costs and reduce the deficit. The Board of Directors has implemented the following plans to reduce the deficit in operations by closely monitoring lunch attendance to ensure lunch reimbursement monies are at the maximum allowed. In addition, the budget committee of the Board of Directors will meet monthly to review expenditures and revenues.

09-3

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2009

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND
QUESTIONED COSTS (Continued)

09-3 (Continued)

Finding: Recently issued Statement on Auditing Standards (SAS)
(Continued) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Criteria: Proper internal controls under SAS 112 require management to prepare the Project's annual financial statements.

Effect: This finding has no effect on the financial statements.

Cause: It is not cost effective for the Project to cure this control deficiency.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Response: Management agrees with this finding.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
MARCH 31, 2009

08-1

Finding: A state oversight report during the year noted several compliance findings for the USDA program.

Status: Cleared

08-2

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Status: Uncleared